

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Redford</u>	County <u>Wayne</u>
Audit Date <u>March 31, 2004</u>	Opinion Date <u>July 15, 2004</u>	Date Accountant Report Submitted To State: <u>September 8, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address <u>350 South Main Street, Suite 200</u>	City <u>Ann Arbor</u>	State <u>MI</u>	ZIP <u>48104</u>
Accountant Signature 			

Charter Township of Redford Wayne County, Michigan

**Financial Report
with Supplemental Information
March 31, 2004**

Charter Township of Redford

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Charter Township of Redford

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Redford
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Redford as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Redford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Redford as of March 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



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To the Board of Trustees
Charter Township of Redford
Wayne County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Redford's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2004 on our consideration of the Charter Township of Redford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 13, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2003.

Plante & Moran, PLLC

July 15, 2004

Charter Township of Redford

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Redford's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2004. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2004:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$310,000 this year from the 2003 fiscal year and over \$1,300,000 since the 2001 fiscal year.
- The continual drop in short-term interest rates in recent years has reduced investment earnings by approximately \$100,000 this year from the 2003 fiscal year end and over \$800,000 annually since the 2001 fiscal year end.
- Employee and postemployment health care cost continued to escalate this year at approximately 10 percent, or \$400,000, well in excess of the inflation rate.
- The Township reacted to these changes by downsizing operations in nearly every General Fund activity, reorganizing several departments to be less dependent on tax revenues, and reducing capital outlay projects significantly. Even with these proactive measures, there was a decrease of approximately \$69,000 in the General Fund balance at fiscal year end.
- Total net assets related to the Township's governmental activities increased by approximately \$767,000.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Redford

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2004:

TABLE I

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets	\$ 26,956,000	\$ 6,223,000	\$ 33,179,000
Noncurrent assets	<u>14,340,000</u>	<u>51,471,000</u>	<u>65,811,000</u>
Total assets	41,296,000	57,694,000	98,990,000
Liabilities			
Current liabilities	5,460,000	2,881,000	8,341,000
Long-term liabilities	<u>11,603,000</u>	<u>17,132,000</u>	<u>28,735,000</u>
Total liabilities	<u>17,063,000</u>	<u>20,013,000</u>	<u>37,076,000</u>
Net Assets			
Invested in capital assets -			
Net of related debt	5,935,000	31,360,000	37,295,000
Restricted	6,033,000	1,162,000	7,195,000
Unrestricted	<u>12,265,000</u>	<u>5,159,000</u>	<u>17,424,000</u>
Total net assets	<u>\$ 24,233,000</u>	<u>\$ 37,681,000</u>	<u>\$ 61,914,000</u>

The current level of unrestricted net assets for our governmental activities stands at \$17,424,000, or about 55 percent of expenditures.

Charter Township of Redford

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets for the year ended March 31, 2004:

TABLE 2

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 7,718,000	\$ 14,837,000	\$ 22,555,000
Operating grants and contributions	1,475,000	-	1,475,000
Capital grants and contributions	185,000	-	185,000
General revenue:			
Property taxes	16,962,000	-	16,962,000
State-shared revenue	5,981,000	-	5,981,000
Unrestricted investment earnings	221,000	61,000	282,000
Miscellaneous - Refunds	235,000	-	235,000
Gain (loss) on sale of assets	(56,000)	3,000	(53,000)
Total revenue	32,721,000	14,901,000	47,622,000
Program Expenses			
General government	6,630,000	-	6,630,000
Public safety	17,149,000	-	17,149,000
Public works	4,535,000	-	4,535,000
Health and welfare	434,000	-	434,000
Community and economic development	1,755,000	-	1,755,000
Recreation and culture	1,042,000	-	1,042,000
Interest on long-term debt	409,000	-	409,000
Indoor ice rink	-	616,000	616,000
Water and sewer	-	12,279,000	12,279,000
Golf course	-	1,294,000	1,294,000
Senior housing	-	549,000	549,000
Protective inspection	-	867,000	867,000
Total program expenses	31,954,000	15,605,000	47,559,000
Change in Net Assets	\$ 767,000	\$ (704,000)	\$ 63,000

The Township is a mature community that developed post-World War II as an early suburban community. Because of our fully developed status, there is little space for new development and tax-base growth. Our efforts are being directed at redevelopment, especially of commercial, industrial, and public lands.

Charter Township of Redford

Management's Discussion and Analysis (Continued)

The health care cost for the Township is approximately \$4,400,000, with \$2,100,000 paying for retiree health care and \$2,300,000 for active employees.

Governmental Activities

Local property taxes and state-shared revenues make up approximately 70 percent, or \$22,900,000, of the Township's total governmental revenues of \$32,720,000. The largest area of expenditures is in the public safety and criminal justice activities, costing approximately \$19,500,000, or 60 percent, of the total governmental revenues. The public works activities, including solid waste disposal, cost approximately \$4,500,000, or 14 percent, of revenues. The remaining \$8,720,000, or 26 percent, of revenues pay for recreation, community development, health and welfare, general government activities, and interest on debt. Of the total \$6,630,000 expenditures in the general government activities, approximately \$2,650,000, or 40 percent, are expenditures for the district court and criminal justice departments.

Business-type Activities

The business-type activities consist of the Water and Sewer Fund, Indoor Ice Rink Fund, Golf Course Fund, Senior Citizen Housing Fund, and the Protective Inspection Fund.

- The Township provides water and sewer services to residents and business connected to the system. The system generates revenues from customers of the system, such that the system is financially self-sufficient and not reliant on taxes. The Township purchases water as a wholesale customer of the Detroit water and sewer department. In the 2004 fiscal year, water sales continued its recent downward trend of sales. The 2003 spring and summer were wetter than the average year, contributing to lower sales. In addition, the Township water loss has increased. The Township hired an engineering firm in February 2004 to study the water distribution and metering system to determine the factors contributing to the water loss increase. The results of the study are not final at this date but several preliminary findings have been identified that have been corrected so that the water loss will be reduced. As a result, the Water and Sewer Fund realized its first operating loss in many years. The Township operates a combined sewerage transmission system that collects sanitary sewerage from customers and storm water run-off during rain events for delivery to the Detroit sewerage treatment facility. The fund realized an operating loss of approximately \$200,000 and a reduction in net assets of approximately \$639,000.

Charter Township of Redford

Management's Discussion and Analysis (Continued)

- The Township operates an ice rink as a recreational facility. The ice rink finances are accounted for as a business-type activity. In recent years, the perception that ice hockey and skating has become more popular regionally has led to increased competition with the construction of at least a dozen new ice surfaces in the area, both municipal and privately owned. The result has led to a reduction in nonprime time ice rentals and reductions in gross revenues of nearly \$80,000 from two years. This contributed to a current year operating loss and a decrease in net assets of approximately \$142,000. In response, the Township is reorganizing the operations in order to reduce future operating costs by approximately \$70,000, thus cutting the deficit in half. The cash reserves and fund balance should be sufficient to carry the fund through the next year without a General Fund subsidy as the turnaround plan is implemented. The fund has no debt and current assets are approximately twice the current liabilities.
- The Township owns and operates Glenhurst municipal golf course as a business-type activity. The operations of the golf course have continually generated sufficient surpluses to provide resources for major reinvestment in the golf course infrastructure. This year, the course was in the midst of a major two-year \$800,000 renovation project. Even though a very rainy spring and early summer affected the rounds of golf, the financial results show a \$70,000 operating surplus and a \$27,000 increase in net assets. Capital improvements and renovations have been paid from retained earnings. The existing debt is from bonds issued to purchase the course in 1989 and later refinanced to take advantage of lower interest rates.
- The Township owns and operates a 92-unit independent living senior citizens apartment complex named Minock Meadows, available to current and former residents, and family members of residents. The facility provides reasonably priced market rate housing for self-sufficient seniors interested in remaining in the Township. The financial results show an operating surplus of \$193,000 and an increase in net assets of \$13,000. The facility was opened October 1, 1993. The construction was financed by issuing bonds, of which \$3,531,000 of principal remains outstanding.
- The Protective Inspection Fund is operated as a business-type activity. The fund accounts for activities related to construction code enforcement. The operating surplus and increase in net assets is approximately \$35,000 for the fiscal year end.

The Township's Funds

Our analysis of the major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as solid waste, special grants, and capital projects. The Township's major funds for fiscal year 2004 include the General Fund and the Community Development Block Grant Fund.

Charter Township of Redford

Management's Discussion and Analysis (Continued)

- The General Fund pays for most of the Township's governmental services. The most costly services are police and fire, which incurred expenses of approximately \$15,700,000 in fiscal year 2004. These two activities are partially funded by three police and fire millages. During the current year, this amounted to approximately \$3,600,000 for operations and \$3,000,000 for the retirement system. The remaining \$9,100,000 operating cost of the police and fire departments is funded by other revenue of the General Fund. In addition, the General Fund pays for the cost of general governmental services including district court, probation and criminal justice activities, treasury and financial operations, central staff services, recreation, public works, and various other activities totaling \$9,200,000.
- The Community Development Block Grant program is a Special Revenue Fund supported by federal entitlements from the U.S. Department of Housing and Urban Development of \$1,700,000, including program income. The programs are targeted for neighborhoods and projects that meet the requirements of the federal government.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. An amendment was passed as a net increase to estimated revenues of \$25,000. The most significant change on the revenue side of the budget was a decrease in estimated state revenue sharing by over \$415,000. This was a result of State of Michigan budget shortfalls passed on to local governments. Fortunately, revenues from court fines of \$80,000, tax revenues of \$50,000, and a workers' compensation refund of over \$230,000 were sufficient to offset most of the lost state revenue sharing.

On the appropriation side of the budget, an increase was approved to provide \$200,000 in the police department to cover the binding arbitration awards made under provisions of Act 312. Other departments were adjusted by smaller amounts in various expenditure lines, resulting in a net increase of approximately \$143,000 for the amended budget.

At fiscal year end, actual revenues were under budget by approximately \$350,000, due primarily to fund transfers from the Capital Projects Fund and the Narcotics Forfeiture Fund that were not necessary.

The Township departments' overall actual expenditures stayed below amended budget amounts by approximately \$380,000.

Charter Township of Redford

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of the fiscal year, the Township had over \$63,000,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines, net of related accumulated depreciation. The capital assets made up 64 percent of the Township's total assets amount of \$98,990,000. In the business-type activities, the Glenhurst golf course completed renovations, adding approximately \$757,000 to the asset in land improvements, and water mains were replaced along Grand River and Mercedes, adding approximately \$2,379,000 to the capital assets in the Water and Sewer Fund. There were no major purchases this year from the governmental activities, but there was an investment of over \$400,000 for road paving within the Township. Because Michigan law makes these roads the property of the Wayne County Road Commission, along with the responsibility to maintain them, the Township portion of the funds invested is approximately \$169,000 and is included in capital assets as road usage rights.

The long-term debt amount of \$26,367,000 is all related to the investment in capital assets. In this fiscal year, the Township incurred no new debt. However, there was a refinancing of previously issued bonds in order to take advantage of lower interest rates. The refinancing included water bonds of \$5,495,000, senior housing bonds of \$1,695,000, and golf course bonds of \$410,000. At the end of the fiscal year, the Township had approximately \$8,346,000 in debt in the government-type activities, while business-type activities had approximately \$18,021,000 outstanding, with 75 percent of that in the Water and Sewer Fund.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year calls for property tax rates slightly less than those levied for the 2003-2004 budget due to the Headlee rollbacks. The Township is a mature community with growth in taxable value limited to the inflation factors of Headlee and Proposal A. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

Water and sewer rates will increase by 8 percent in the 2004-2005 budget. We have been notified that the City of Detroit Water Board is imposing a 13 percent increase in their rate to the Township and Wayne County is increasing the sewer rate by 3 percent.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's finance department.

Charter Township of Redford

Statement of Net Assets March 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 20,542,883	\$ 3,993,257	\$ 24,536,140	\$ 301,037
Receivables - Net (Note 3)	5,654,529	2,686,558	8,341,087	339,243
Internal balances	533,037	(533,037)	-	-
Due from component units	59,284	-	59,284	-
Inventories	1,390	65,949	67,339	-
Deposits	224,042	-	224,042	-
Prepaid costs and other assets	-	9,688	9,688	-
Unamortized bond issuance costs	-	712,391	712,391	-
Restricted assets (Notes 2 and 7)	-	1,510,617	1,510,617	-
Nondepreciable capital assets (Note 4)	720,620	2,387,124	3,107,744	-
Depreciable capital assets - Net (Note 4)	13,560,355	46,645,475	60,205,830	-
Unamortized goodwill	-	215,520	215,520	-
Total assets	41,296,140	57,693,542	98,989,682	640,280
Liabilities				
Accounts payable	992,291	1,048,377	2,040,668	1,160
Accrued liabilities	1,622,981	162,040	1,785,021	-
Deferred revenue (Note 3)	9,788	-	9,788	-
Due to primary government	-	-	-	59,284
Due to other governmental units	598	-	598	398,301
Estimated insurance and other liabilities	1,785,435	67,753	1,853,188	-
Provision for compensated absences:				
Due within one year	246,008	116,692	362,700	-
Due in more than one year	4,059,570	596,865	4,656,435	-
Long-term debt (Note 6):				
Due within one year	803,089	1,485,738	2,288,827	-
Due in more than one year	7,542,989	16,535,236	24,078,225	-
Total liabilities	17,062,749	20,012,701	37,075,450	458,745
Net Assets				
Invested in capital assets - Net of related debt	5,934,897	31,360,207	37,295,104	-
Restricted for:				
Solid waste management	1,868,851	-	1,868,851	-
Community Development Block Grant	1,162,892	-	1,162,892	-
Drain	731,054	-	731,054	-
Drug law enforcement	503,920	-	503,920	-
Bond debt service	463,689	1,162,035	1,625,724	-
Other purposes (Note 9)	1,302,774	-	1,302,774	-
Unrestricted	12,265,314	5,158,599	17,423,913	181,535
Total net assets	\$ 24,233,391	\$ 37,680,841	\$ 61,914,232	\$ 181,535

Charter Township of Redford

		Program Revenues		
		Charges for	Operating	Capital Grants
Expenses	Services	Grants and	and	Contributions
		Contributions	Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 6,630,084	\$ 4,569,971	\$ 149,980	\$ -
Public safety	17,148,896	2,064,254	86,880	97,741
Public works	4,534,788	441,581	32,374	-
Health and welfare	433,488	28,176	123,943	-
Community and economic development	1,755,265	386,440	1,081,530	71,710
Recreation and culture	1,042,358	227,537	-	15,428
Interest on long-term debt	408,787	-	-	-
Total governmental activities	31,953,666	7,717,959	1,474,707	184,879
Business-type activities:				
Indoor ice rink	615,759	473,689	-	-
Water and sewer	12,278,828	11,588,592	-	-
Golf course	1,293,853	1,312,728	-	-
Senior housing	548,506	559,149	-	-
Protective inspection	867,137	902,436	-	-
Total primary government	<u>\$ 47,557,749</u>	<u>\$ 22,554,553</u>	<u>\$ 1,474,707</u>	<u>\$ 184,879</u>
Component units:				
Downtown Development Authority	\$ 28,576	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	12,872	2,500	-	-
Housing Commission	561,885	-	561,885	-
Total component units	<u>\$ 603,333</u>	<u>\$ 2,500</u>	<u>\$ 561,885</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Investment earnings				
Miscellaneous - Refunds and rebates				
Gain (loss) on sale of assets				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended March 31, 2004

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,910,133)	\$ -	\$ (1,910,133)	\$ -
(14,900,021)	-	(14,900,021)	-
(4,060,833)	-	(4,060,833)	-
(281,369)	-	(281,369)	-
(215,585)	-	(215,585)	-
(799,393)	-	(799,393)	-
(408,787)	-	(408,787)	-
(22,576,121)	-	(22,576,121)	-
-	(142,070)	(142,070)	-
-	(690,236)	(690,236)	-
-	18,875	18,875	-
-	10,643	10,643	-
-	35,299	35,299	-
(22,576,121)	(767,489)	(23,343,610)	-
-	-	-	(28,576)
-	-	-	(10,372)
-	-	-	-
-	-	-	(38,948)
16,962,083	-	16,962,083	85,429
5,981,265	-	5,981,265	-
221,379	60,542	281,921	1,476
234,828	-	234,828	163
(56,361)	2,669	(53,692)	-
23,343,194	63,211	23,406,405	87,068
767,073	(704,278)	62,795	48,120
23,466,318	38,385,119	61,851,437	133,415
\$ 24,233,391	\$ 37,680,841	\$ 61,914,232	\$ 181,535

Charter Township of Redford

Governmental Funds Balance Sheet March 31, 2004

	General	Community Development Block Grant	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 10,113,840	\$ 145,540	\$ 6,457,463	\$ 16,716,843
Receivables - Net (Note 3)	1,054,225	1,162,893	1,754,080	3,971,198
Prepaid costs and other assets	1,390	-	-	1,390
Due from other funds (Note 5)	681,479	29	9,204	690,712
Due from component units	5,439	53,845	-	59,284
Due from other governmental units (Note 3)	1,512,061	132,819	38,451	1,683,331
Total assets	<u>\$ 13,368,434</u>	<u>\$ 1,495,126</u>	<u>\$ 8,259,198</u>	<u>\$ 23,122,758</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 655,074	\$ 135,615	\$ 201,602	\$ 992,291
Accrued liabilities	1,559,047	15,726	46,473	1,621,246
Due to other funds	201,701	180,893	45,082	427,676
Due to other governmental units	364	-	234	598
Deferred revenue (Note 3)	1,031,929	1,162,892	1,561,426	3,756,247
Deposits and other liabilities	356,711	-	-	356,711
Total liabilities	3,804,826	1,495,126	1,854,817	7,154,769
Fund Balances				
Reserved for:				
General Fund (Note 9)	419,325	-	-	419,325
911 dispatch	-	-	82,116	82,116
Debt service	-	-	463,689	463,689
Unreserved, reported in General Fund - Designated (Note 9)	9,144,283	-	-	9,144,283
Unreserved, reported in Special Revenue Funds - Undesignated	-	-	2,326,870	2,326,870
Unreserved, reported in Capital Project Funds - Designated for future capital improvements	-	-	3,531,706	3,531,706
Total fund balances	<u>9,563,608</u>	<u>-</u>	<u>6,404,381</u>	<u>15,967,989</u>
Total liabilities and fund balances	<u>\$ 13,368,434</u>	<u>\$ 1,495,126</u>	<u>\$ 8,259,198</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	14,280,975
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,249,696
Delinquent personal and real property taxes are expected to be collected over several years and are not available to pay for current year expenditures	1,316,352
Deferred revenue related to grants was not collected within 60 days of year end and is not available to pay for current year expenditures	1,180,411
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(12,651,656)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,735)
Internal Service Funds are included as part of governmental activities	2,891,359
Net assets of governmental activities	<u>\$ 24,233,391</u>

Charter Township of Redford

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2004

	General	Community Development Block Grant	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 13,154,114	\$ -	\$ 3,711,362	\$ 16,865,476
State sources	6,116,332	-	144,909	6,261,241
Federal sources	149,603	1,678,971	36,095	1,864,669
Licenses, permits, and fees	531,611	-	-	531,611
Charges for services	991,902	-	1,022,073	2,013,975
Fines and forfeitures	3,217,771	-	542,853	3,760,624
Interest income	164,188	-	89,023	253,211
Other	955,245	-	262,406	1,217,651
Total revenue	25,280,766	1,678,971	5,808,721	32,768,458
Expenditures				
Current:				
General government	6,865,300	-	-	6,865,300
Public safety	15,673,091	-	630,489	16,303,580
Public works	1,164,063	-	3,040,367	4,204,430
Health and welfare	154,732	-	340,708	495,440
Community and economic development	73,670	1,678,971	-	1,752,641
Recreation and culture	1,001,444	-	-	1,001,444
Capital outlay	-	-	1,294,389	1,294,389
Debt service	-	-	554,720	554,720
Total expenditures	24,932,300	1,678,971	5,860,673	32,471,944
Excess of Revenue Over (Under) Expenditures	348,466	-	(51,952)	296,514
Other Financing Sources (Uses)				
Transfers in (Note 5)	-	-	417,497	417,497
Transfers out (Note 5)	(417,497)	-	-	(417,497)
Total other financing sources (uses)	(417,497)	-	417,497	-
Net Change in Fund Balances	(69,031)	-	365,545	296,514
Fund Balances - Beginning of year - As restated (Note 14)	9,632,639	-	6,038,836	15,671,475
Fund Balances - End of year	<u>\$ 9,563,608</u>	<u>\$ -</u>	<u>\$ 6,404,381</u>	<u>\$ 15,967,989</u>

Charter Township of Redford

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 296,514

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (20,844)

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, the proceeds are reduced by the net book value of the assets sold to report a gain (loss) (135,185)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end 359,693

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33) (156,842)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 754,621

Changes in accrued interest on bonds, installment purchase obligations, and capital leases are an expenditure in the statement of activities, but not in the governmental funds 940

Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities (427,522)

Internal Service Funds are also included as governmental activities 95,698

Change in Net Assets of Governmental Activities \$ 767,073

Charter Township of Redford

Proprietary Funds Statement of Net Assets March 31, 2004

	Water and Sewer	Senior Housing	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash and investments (Note 2)	\$ 2,829,712	\$ 371,100	\$ 792,445	\$ 3,993,257	\$ 3,826,040
Receivables - Net	2,646,353	-	40,205	2,686,558	-
Due from other funds (Note 5)	54,967	-	-	54,967	270,001
Inventories and other assets	52,707	6,563	16,367	75,637	-
Deposits	-	-	-	-	224,042
Total current assets	5,583,739	377,663	849,017	6,810,419	4,320,083
Noncurrent assets:					
Unamortized bond issuance costs	521,500	112,559	78,332	712,391	-
Restricted assets (Note 7)	1,510,617	-	-	1,510,617	-
Capital assets (Note 4)	41,945,956	3,394,745	3,691,898	49,032,599	-
Unamortized goodwill	-	-	215,520	215,520	-
Total noncurrent assets	43,978,073	3,507,304	3,985,750	51,471,127	-
Total assets	49,561,812	3,884,967	4,834,767	58,281,546	4,320,083
Liabilities					
Current liabilities:					
Accounts payable	985,636	15,552	47,189	1,048,377	-
Accrued liabilities	73,058	43,905	45,077	162,040	-
Due to other funds	492,346	33,942	61,716	588,004	-
Other liabilities and advances	15,391	49,400	2,962	67,753	1,428,724
Current portion of compensated absences	67,159	-	49,533	116,692	-
Current portion of long-term debt	1,152,230	193,344	140,164	1,485,738	-
Total current liabilities	2,785,820	336,143	346,641	3,468,604	1,428,724
Noncurrent liabilities:					
Provision for compensated absences	382,809	11,952	202,104	596,865	-
Long-term debt - Net of current portion	12,337,425	3,337,295	860,516	16,535,236	-
Total noncurrent liabilities	12,720,234	3,349,247	1,062,620	17,132,101	-
Total liabilities	15,506,054	3,685,390	1,409,261	20,600,705	1,428,724
Net Assets					
Investment in capital assets - Net of related debt	28,804,883	(135,894)	2,691,218	31,360,207	-
Restricted assets	1,162,035	-	-	1,162,035	-
Unrestricted	4,088,840	335,471	734,288	5,158,599	2,891,359
Total net assets	<u>\$ 34,055,758</u>	<u>\$ 199,577</u>	<u>\$ 3,425,506</u>	<u>\$ 37,680,841</u>	<u>\$ 2,891,359</u>

Charter Township of Redford

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2004

	Water and Sewer	Senior Housing	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenue					
Charges for services	\$ 11,531,191	\$ 558,115	\$ 1,775,394	\$ 13,864,700	\$ -
Permits	-	-	902,436	902,436	-
Refunds and rebates	29,550	1,034	8,001	38,585	-
Other	27,851	-	6,493	34,344	-
Township contributions	-	-	-	-	4,353,005
Total operating revenue	11,588,592	559,149	2,692,324	14,840,065	4,353,005
Operating Expenses					
Cost of water and sewer transmission and distribution	8,893,874	-	-	8,893,874	-
General and administrative costs	1,565,876	266,593	2,429,171	4,261,640	-
Depreciation and amortization	1,331,865	100,025	300,349	1,732,239	-
Benefit payments, reinsurance charges, and claim administration	-	-	-	-	4,257,307
Total operating expenses	11,791,615	366,618	2,729,520	14,887,753	4,257,307
Operating Income (Loss)	(203,023)	192,531	(37,196)	(47,688)	95,698
Nonoperating Revenue (Expenses)					
Interest income	49,171	2,475	8,896	60,542	-
Interest expense	(487,213)	(181,888)	(50,700)	(719,801)	-
Gain on disposal of assets	2,015	-	654	2,669	-
Change in Net Assets	(639,050)	13,118	(78,346)	(704,278)	95,698
Net Assets - Beginning of year	34,694,808	186,459	3,503,852	38,385,119	2,795,661
Net Assets - End of year	\$ 34,055,758	\$ 199,577	\$ 3,425,506	\$ 37,680,841	\$ 2,891,359

Charter Township of Redford

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2004

	Water and Sewer	Senior Housing	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities					
Receipts from customers	\$ 11,447,259	\$ 569,211	\$ 2,661,715	\$ 14,678,185	\$ -
Contributions received	-	-	-	-	4,531,768
Payments to suppliers	(8,878,025)	(190,880)	(1,293,211)	(10,362,116)	-
Payments to employees	(2,079,962)	(78,248)	(1,145,174)	(3,303,384)	-
Internal activity - Receipts from (payments to) other funds	572,037	4,496	3,948	580,481	(270,001)
Claims paid	-	-	-	-	(4,267,120)
Other receipts	57,401	1,034	14,494	72,929	-
Net cash provided by (used in) operating activities	1,118,710	305,613	241,772	1,666,095	(5,353)
Cash Flows from Capital and Related Financing Activities					
Proceeds from sale of assets	2,015	-	654	2,669	-
Purchase of capital assets	(1,981,916)	(77,346)	(460,550)	(2,519,812)	-
Proceeds from bond issuance	5,495,000	1,695,000	410,000	7,600,000	-
Refunding of bond issuance	(5,000,000)	(1,575,000)	(375,000)	(6,950,000)	-
Principal and interest paid on capital debt	(1,512,213)	(369,160)	(203,911)	(2,085,284)	-
Net cash used in capital and related financing activities	(2,997,114)	(326,506)	(628,807)	(3,952,427)	-
Cash Flows from Investing Activities					
Interest received on investments	49,171	2,475	8,896	60,542	-
Proceeds from sale and maturities of investment securities	795,137	-	34,099	829,236	-
Net cash provided by investing activities	844,308	2,475	42,995	889,778	-
Net Decrease in Cash and Cash Equivalents	(1,034,096)	(18,418)	(344,040)	(1,396,554)	(5,353)
Cash and Cash Equivalents - Beginning of year	4,458,561	389,518	1,133,224	5,981,303	3,831,393
Cash and Cash Equivalents - End of year	<u>\$ 3,424,465</u>	<u>\$ 371,100</u>	<u>\$ 789,184</u>	<u>\$ 4,584,749</u>	<u>\$ 3,826,040</u>
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 2,829,712	\$ 371,100	\$ 792,445	\$ 3,993,257	\$ 3,826,040
Restricted cash (Note 7)	594,753	-	-	594,753	-
Less amounts classified as investments	-	-	(3,261)	(3,261)	-
Total cash and cash equivalents	<u>\$ 3,424,465</u>	<u>\$ 371,100</u>	<u>\$ 789,184</u>	<u>\$ 4,584,749</u>	<u>\$ 3,826,040</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ (203,023)	\$ 192,531	\$ (37,196)	\$ (47,688)	\$ 95,698
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	1,331,865	100,025	300,349	1,732,239	-
Changes in assets and liabilities:					
Receivables	(83,932)	11,096	(16,115)	(88,951)	-
Due from other funds	185,753	-	40,000	225,753	(161,001)
Inventory and other assets	1,302	(6,563)	(2,124)	(7,385)	-
Deposits	-	-	-	-	178,763
Accounts payable	(440,112)	(2,197)	3,309	(439,000)	-
Accrued and other liabilities	(59,427)	6,225	(10,399)	(63,601)	(9,813)
Due to other funds	386,284	4,496	(36,052)	354,728	(109,000)
Net cash provided by (used in) operating activities	<u>\$ 1,118,710</u>	<u>\$ 305,613</u>	<u>\$ 241,772</u>	<u>\$ 1,666,095</u>	<u>\$ (5,353)</u>

Charter Township of Redford

Fiduciary Funds Statement of Net Assets March 31, 2004

	Pension Trust Fund	Private Purpose Trust Fund (HIDTA)
Assets		
Cash and cash equivalents (Note 2)	\$ 3,514,098	\$ 212,106
Investments (Note 2):		
Corporate bonds	13,487,450	-
U.S. government securities	7,152,210	-
Common and preferred stock	34,436,016	-
Foreign securities	1,111,295	-
Limited partnerships	879,787	-
Receivables - Accrued interest	279,383	-
Due from other funds	-	18,758
Other assets	-	32,853
Total assets	60,860,239	263,717
Liabilities		
Accounts payable	-	4,817
Accrued and other liabilities	-	9,733
Due to other governmental units	-	12
Deferred revenue	-	249,155
Total liabilities	-	263,717
Net Assets - Held in trust	\$ 60,860,239	\$ -

Charter Township of Redford

Fiduciary Funds Statement of Changes in Net Assets Year Ended March 31, 2004

	Pension Trust Fund	Private Purpose Trust Fund (HIDTA)
Additions		
Investment income:		
Interest and dividends	\$ 2,389,036	\$ -
Net appreciation in fair value of investments	7,032,771	-
Investment expenses	(233,563)	-
	<hr/>	<hr/>
Net investment income	9,188,244	-
Contributions	3,054,072	-
Federal grants	-	2,212,021
	<hr/>	<hr/>
Total additions	12,242,316	2,212,021
Deductions		
Benefit payments	5,209,641	-
Refunds and withdrawals	206,090	-
Administrative expenses	51,200	-
Public safety expenses	-	2,212,021
	<hr/>	<hr/>
Total deductions	5,466,931	2,212,021
Net Increase	6,775,385	-
Net Assets Held in Trust		
Beginning of year	54,084,854	-
	<hr/>	<hr/>
End of year	<u><u>\$ 60,860,239</u></u>	<u><u>\$ -</u></u>

Charter Township of Redford

Component Units Statement of Net Assets March 31, 2004

	Downtown Development Authority	Brownfield Redevelopment Financing Authority	Housing Commission	Totals
Assets				
Cash and investments (Note 2)	\$ 185,589	\$ -	\$ 115,448	\$ 301,037
Delinquent taxes receivable	2,466	79	-	2,545
Due from other governmental units	-	-	336,698	336,698
Total assets	188,055	79	452,146	640,280
Liabilities				
Accounts payable	-	1,160	-	1,160
Due to primary government	-	5,439	53,845	59,284
Due to other governmental units	-	-	398,301	398,301
Total liabilities	-	6,599	452,146	458,745
Net Assets (Deficit) - Unrestricted	\$ 188,055	\$ (6,520)	\$ -	\$ 181,535

Charter Township of Redford

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants/ Contributions
Downtown Development Authority - Public works	\$ 28,576	\$ -	\$ -
Brownfield Redevelopment Authority - Community development	12,872	2,500	-
Housing Commission - Rental Assistance Section 8 Program	<u>561,885</u>	<u>-</u>	<u>561,885</u>
Total governmental activities	<u>\$ 603,333</u>	<u>\$ 2,500</u>	<u>\$ 561,885</u>
General Revenues			
Property taxes			
Interest			
Miscellaneous			
Total general revenues			
Change in Net Assets (Deficit)			
Net Assets - Beginning of year			
Net Assets (Deficit) - End of year			

**Component Units
Statement of Activities
Year Ended March 31, 2004**

Net (Expense) Revenue and Changes in Net Assets			
Downtown Development Authority	Brownfield Redevelopment Authority	Housing Commission	Total
\$ (28,576)	\$ -	\$ -	\$ (28,576)
-	(10,372)	-	(10,372)
-	-	-	-
(28,576)	(10,372)	-	(38,948)
81,577	3,852	-	85,429
1,476	-	-	1,476
163	-	-	163
83,216	3,852	-	87,068
54,640	(6,520)	-	48,120
133,415	-	-	133,415
<u>\$ 188,055</u>	<u>\$ (6,520)</u>	<u>\$ -</u>	<u>\$ 181,535</u>

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Redford (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Redford:

Reporting Entity

The Charter Township of Redford is governed by an elected seven-member Board of Trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Blended Component Units

The Redford Township Building Authority is governed by a board that is appointed by the Township Board. Although it is legally separate from the Township, it is reported in the General Fund as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

The Redford Township Police and Fire Retirement System has also been blended into the Township's financial statements. The system is governed by a five-member Pension Board that includes two individuals chosen by the Township Board. The system is reported in a Trust Fund as if it were part of the primary government because of the fiduciary responsibility that the Township retains relative to the operations of the retirement system.

Discretely Presented Component Units

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the district. The DDA's governing body is appointed by the Township Board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The DDA does not publish separately issued financial statements. The DDA can be contacted at the Township offices at 15145 Beech Daly Road, Redford Township, Michigan 48239.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The Brownfield Redevelopment Financing Authority was established pursuant to Public Act 381 of 1996. The Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Township. The Authority's governing body is approved by the Township Board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The Authority does not publish separately issued financial statements. The Authority can be contacted at the Township offices at 15145 Beech Daly Road, Redford Township, Michigan 48239.

The Housing Commission was primarily created to determine in what areas of the Township it is necessary to provide proper sanitary housing facilities for low-income families, for the elimination of unsafe housing conditions, and to rent housing facilities to low-income tenants. The Commission's governing body is approved by the Township Board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The Commission does not publish separately issued financial statements. The Commission can be contacted at the Township offices at 15145 Beech Daly Road, Redford Township, Michigan 48239.

The Economic Development Corporation (the "EDC") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township, primarily through loans to eligible businesses. The EDC had no financial activity during the year ended March 31, 2004.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Note I - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community Development Block Grant Fund - The Community Development Block Grant Fund accounts for projects and activities funded through the federally funded Community Development Block Grant program.

The Township reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the results of operations for providing water and sewer services to the citizens and businesses of the Township. The fund's primary revenues are generated through user charges from those requesting water and sewer services.

Senior Housing Fund - The Senior Housing Fund accounts for the results of operations for providing senior housing facilities to elderly citizens of the Township. The revenues are generated through monthly rental payments made by tenants.

Additionally, the Township reports the following fund types:

Internal Service Fund - The Internal Service Fund accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the Township, or to other governments, on a cost-reimbursement basis and to fund for any potential catastrophic losses.

Pension Trust Fund - The Police and Fire Pension Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.

Private Purpose Trust Fund (HIDTA) - The Federal Law Enforcement Trust Fund accounts for assets held by the Township in a trustee capacity.

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2003 tax is levied and collectible on December 1, 2003 and is recognized as revenue in the year ended March 31, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2003 taxable valuation of the Township totaled \$1.2 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 4.3506 mills for general operating purposes, 3.0452 mills for police and fire operating purposes, 2.5677 mills for police and fire pension, 2.4722 mills for solid waste management, 0.6815 mills for street lighting, 0.5230 mills for police station debt service, and 0.1112 mills for Dial-A-Ride operating purposes. This resulted in \$5.2 million for general operating purposes, \$3.6 million for police and fire operating purposes, \$3 million for police and fire pension, \$3 million for solid waste management, \$0.7 million for street lighting, \$0.6 million for police station debt service, and \$0.1 million for Dial-A-Ride operating purposes. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Charter Township of Redford's water and sewer lines. Unspent bond proceeds of the Capital Projects Funds are required to be set aside for construction. These amounts have also been classified as restricted assets.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads usage rights and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year, although assets purchased under that threshold may be capitalized at the Township's discretion. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$197,653 of interest expense was capitalized as part of the cost of assets under construction.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	7 to 50 years
Road usage rights	15 years
Buildings and improvements	7 to 50 years
Water and sewer facilities	50 to 100 years
Water meters	20 to 60 years
CSO basin	30 years
Vehicles	3 to 10 years
Equipment	5 to 10 years
Office equipment	5 to 7 years
Furniture and fixtures	7 years

Goodwill - The Township purchased a golf course and is recording the activity in the Golf Course Fund (business-type activity). The excess of the purchase price over the fair market value of tangible assets was recorded as goodwill.

Amortization - Bond issuance costs and discounts recorded in the business-type activities are being amortized over the life of the bonds. A portion of the purchase price of the golf course has been recorded as goodwill in the Golf Course Fund and is being amortized over 20 years. For the year ended March 31, 2004, amortization of \$110,449 has been included in the operating expenses of the business-type activities, and accumulated amortization totaled \$1,274,761.

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated six banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs.

The Charter Township of Redford's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and investments	\$ 20,542,883	\$ 3,993,257	\$ 60,792,962	\$ 85,329,102	\$ 301,037
Restricted cash and investments (Note 7)	-	1,526,656	-	1,526,656	-
Total	<u>\$ 20,542,883</u>	<u>\$ 5,519,913</u>	<u>\$ 60,792,962</u>	<u>\$ 86,855,758</u>	<u>\$ 301,037</u>

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 2 - Deposits and Investments (Continued)

The breakdown between deposits and investments for the Township is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 15,573,288	\$ 301,037
Investments in securities, mutual funds, and similar vehicles	71,250,040	-
Petty cash or cash on hand	32,430	-
Total	<u>\$ 86,855,758</u>	<u>\$ 301,037</u>

Deposits

The bank balance of the Township's deposits is \$19,720,381, of which approximately \$550,000 is covered by federal depository insurance and \$19,170,381 is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component units' deposits had a bank balance of \$301,037, of which \$100,000 was covered by federal depository insurance and \$201,037 is uninsured and uncollateralized.

Investments

The Township is authorized by Michigan Public Act 20 of 1943, as amended, to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances, and investment pools that are composed of authorized investment vehicles. The Police and Fire Pension Trust Fund is also authorized by various State of Michigan laws to invest in certain corporate equity or debt instruments and certain other specified investment vehicles.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 2 - Deposits and Investments (Continued)

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the Township or its agent in the Township's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At year end, the Township's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government:				
Corporate bonds	\$ -	\$ 13,487,450	\$ -	\$ 13,487,450
U.S. government securities	-	7,152,210	-	7,152,210
Common and preferred stock	-	34,436,016	-	34,436,016
Foreign securities	-	1,111,295	-	1,111,295
Subtotal	<u>\$ -</u>	<u>\$ 56,186,971</u>	<u>\$ -</u>	56,186,971
Investments not subject to categorization:				
Bank investment pool funds				14,183,282
Limited partnerships				<u>879,787</u>
Total primary government				<u>\$ 71,250,040</u>

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 2 - Deposits and Investments (Continued)

The Township pension investments at March 31, 2004 include \$917,627 and \$4,094,154 of securities issued by the Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA), respectively. These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Note 3 - Receivables and Deferred Revenue

Receivables as of year end for the Township's individual major funds and the nonmajor, Internal Service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Community Development Block Grant	Water and Sewer	Nonmajor and Other Funds	Total
Receivables:					
Taxes	\$ 1,076,079	\$ -	\$ -	\$ 284,422	\$ 1,360,501
Accounts	14,789	-	2,507,309	108,816	2,630,914
Intergovernmental	1,512,061	132,819	-	38,451	1,683,331
Interest and other	7,508	-	-	807	8,315
Special assessments	-	-	139,044	1,400,240	1,539,284
Housing rehabilitation loans	-	1,162,893	-	-	1,162,893
Less allowance for uncollectibles	(44,151)	-	-	-	(44,151)
Net receivables	<u>\$ 2,566,286</u>	<u>\$ 1,295,712</u>	<u>\$ 2,646,353</u>	<u>\$ 1,832,736</u>	<u>\$ 8,341,087</u>

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 3 - Receivables and Deferred Revenue (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 1,316,352	\$ -
Special assessments	1,249,696	-
Community Development Block Grant	1,162,892	-
Park Grant	17,519	-
Local Law Enforcement Block Grant	-	9,788
Total	<u>\$ 3,746,459</u>	<u>\$ 9,788</u>

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 4 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2003	Additions	Disposals and Adjustments	Balance March 31, 2004
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 720,620	\$ -	\$ -	\$ 720,620
Construction in progress	363,228	29,209	392,437	-
Subtotal	1,083,848	29,209	392,437	720,620
Capital assets being depreciated:				
Land improvements	1,253,248	526,187	-	1,779,435
Road usage rights*	-	169,464	-	169,464
Buildings and improvements	14,920,214	-	-	14,920,214
Vehicles	2,445,356	274,570	326,278	2,393,648
Equipment	786,569	15,087	15,000	786,656
Office equipment	1,071,874	224,826	-	1,296,700
Furniture and fixtures	45,592	-	-	45,592
Subtotal	20,522,853	1,210,134	341,278	21,391,709
Accumulated depreciation:				
Land improvements	377,016	31,791	-	408,807
Buildings and improvements	4,373,035	331,397	-	4,704,432
Vehicles	1,481,866	239,976	191,093	1,530,749
Equipment	384,622	83,207	15,000	452,829
Office equipment	527,520	176,366	-	703,886
Furniture and fixtures	25,638	5,013	-	30,651
Subtotal	7,169,697	867,750	206,093	7,831,354
Net capital assets being depreciated	13,353,156	342,384	135,185	13,560,355
Net capital assets	\$ 14,437,004	\$ 371,593	\$ 527,622	\$ 14,280,975

* Road usage rights represent the Township's contribution to roads owned and operated by the County, use of which will be amortized over 15 years.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 4 - Capital Assets (Continued)

	Balance April 1, 2003	Additions	Disposals and Adjustments	Balance March 31, 2004
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 809,259	\$ -	\$ -	\$ 809,259
Construction in progress	3,039,670	1,285,207	2,747,012	1,577,865
Subtotal	3,848,929	1,285,207	2,747,012	2,387,124
Capital assets being depreciated:				
Water and sewer facilities	27,684,819	2,378,502	-	30,063,321
Water meters	1,942,066	12,684	-	1,954,750
CSO basin	18,950,477	-	-	18,950,477
Buildings and improvements	9,101,290	757,159	-	9,858,449
Vehicles	993,130	128,600	75,469	1,046,261
Equipment	2,500,622	115,938	-	2,616,560
Subtotal	61,172,404	3,392,883	75,469	64,489,818
Accumulated depreciation:				
Water and sewer facilities	5,394,821	420,481	-	5,815,302
Water meters	1,370,098	96,367	-	1,466,465
CSO basin	3,469,403	631,683	-	4,101,086
Buildings and improvements	3,314,664	287,144	-	3,601,808
Vehicles	791,553	55,624	75,469	771,708
Other equipment	1,957,483	130,491	-	2,087,974
Subtotal	16,298,022	1,621,790	75,469	17,844,343
Net capital assets being depreciated	44,874,382	1,771,093	-	46,645,475
Net capital assets	\$ 48,723,311	\$ 3,056,300	\$ 2,747,012	\$ 49,032,599

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 4 - Capital Assets (Continued)

Capital asset activity for the Township of Redford's component units for the year was as follows:

	Balance April 1, 2003	Additions	Disposals and Adjustments	Balance March 31, 2004
Component Units				
Capital assets being depreciated - Office equipment, furniture, and fixtures	\$ 57,489	\$ -	\$ -	\$ 57,489
Accumulated depreciation - Office equipment, furniture, and fixtures	<u>57,489</u>	<u>-</u>	<u>-</u>	<u>57,489</u>
Net capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 126,516
Public safety	553,932
Public works	133,521
Community and economic development	19,508
Recreation and culture	<u>34,273</u>
Total governmental activities	<u>\$ 867,750</u>
Business-type activities:	
Water and sewer	\$ 1,291,920
Senior housing	84,145
Ice rink	49,526
Golf course	<u>196,199</u>
Total business-type activities	<u>\$ 1,621,790</u>

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 4 - Capital Assets (Continued)

Construction Commitments - The Township has active construction projects at year end. The projects include the Sumner Road water and sewer project and the Glenhurst Golf Course renovation project. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Sumner Road water and sewer project	\$ 268,638	\$ 144,261
Glenhurst Golf Course renovation	26,118	20,300
Total	<u>\$ 294,756</u>	<u>\$ 164,561</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Local Law Enforcement Fund	\$ 9,563
	Community Development Block Grant Fund	180,893
	Park Fund	17,519
	Water and Sewer Fund	422,346
	Senior Citizen Housing Fund	31,942
	Golf Course Fund	19,216
	Total General Fund	681,479
Local Law Enforcement Fund	General Fund	9,204
Internal Service Fund - Self-insurance	General Fund	141,001
	Solid Waste Management Fund	10,000
	Protective Inspection	5,000
	Senior Citizen Housing Fund	2,000
	Indoor Ice Rink Fund	9,000
	Golf Course Fund	25,000
	Dial-A-Ride Fund	8,000
	Water and Sewer Fund	70,000
	Total Internal Service Fund	270,001
	Total Nonmajor Governmental Fund	279,205

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds (Continued)		
Community Development Block Grant Fund	General Fund	\$ 29
Water and Sewer Fund	General Fund	51,467
	Protective Inspection Fund	3,500
	Total Water and Sewer Fund	54,967
	Total	<u>\$ 1,015,680</u>

Interfund balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Capital Improvement Fund (1)	\$ 170,000
General Fund	Park Fund (2)	17,248
General Fund	Local Law Enforcement Fund (2)	4,011
General Fund	Court Building Improvement Fund (3)	226,238
Total		<u>\$ 417,497</u>

(1) Transfer for capital improvements

(2) Transfer for Township match of grants

(3) Transfer activity to Court Building Improvement Fund

Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. The Building Authority bond commitments are limited by the Township's legal ability to levy property taxes.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds - 1991 Refunded Bonds -							
Unlimited Tax Bonds (Police station)	3.60% - 5.00%	\$410,000 - \$590,000	\$ 3,770,000	\$ -	\$ 380,000	\$ 3,390,000	\$ 420,000
Amounts of issue: \$4,180,000							
Maturing through: 2011							
Building Authority bonds:							
1998A Fire Station	4.40% - 4.50%	\$125,000 - \$250,000	2,600,000	-	125,000	2,475,000	125,000
Amounts of issue: \$3,000,000							
Maturing through 2018							
1998B Service Building	4.40% - 5.00%	\$50,000 - \$125,000	1,350,000	-	50,000	1,300,000	50,000
Amounts of issue: \$1,500,000							
Maturing through 2018							
1999 Service Building	4.05% - 5.00%	\$20,000 - \$55,000	450,000	-	20,000	430,000	20,000
Amounts of issue: \$500,000							
Maturing through: 2017							
Installment purchase agreements:							
1997 Computer Telephone System (1)	4.41%	\$34,160 - \$44,508	121,296	-	42,628	78,668	44,508
Amounts of issue: \$323,271							
Maturing through 2005							
1999 Township Hall/District Court Renovations	4.84%	\$97,284 - \$111,636	619,458	-	92,923	526,535	97,284
Amounts of issue: \$968,326							
Maturing through 2009							
2000 Fire Truck	5.05%	\$46,297 - \$50,942	189,945	-	44,070	145,875	46,297
Amounts of issue: \$310,000							
Maturing through 2007							
Total governmental activities			<u>\$ 9,100,699</u>	<u>\$ -</u>	<u>\$ 754,621</u>	<u>\$ 8,346,078</u>	<u>\$ 803,089</u>

(1) The bank equipment note payable is secured by specific equipment.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds:							
1995 Limited Tax Bonds (1) Amounts of issue: \$5,050,000 Maturing through 2016	5.25% - 5.625%	\$225,000 - \$375,000	\$ 3,925,000	\$ -	\$ 3,450,000	\$ 475,000	\$ 225,000
1994 Limited Tax Bonds (Combined Sewer Overflow) (2) Amounts of issue: \$2,450,000 Maturing through 2016	5.30% - 6.00%	\$125,000 - \$200,000	2,000,000	-	1,875,000	125,000	125,000
2004 Combined Sewer Overflow Refunding Bonds Amounts of issue: \$5,495,000 Maturing through 2016	2.00% - 3.625%	\$100,000 - \$575,000	-	5,495,000	-	5,495,000	100,000
Building Authority bonds:							
1989 Golf Course Purchase (3) Amounts of issue: \$2,000,000 Maturing through 2009	5.00%	\$175,000 - \$200,000	375,000	-	375,000	-	-
1992 Senior Housing Project (4) Amounts of issue: \$4,425,000 Maturing through 2018	5.00%	\$250,000 - \$350,000	1,575,000	-	1,575,000	-	-
1997 (Refunded Bonds) Golf Course Purchase Amounts of issue: \$1,297,857 Maturing through 2009	4.45% - 4.85%	\$1,825 - \$180,476	787,063	-	143,254	643,809	139,603
1997 (Refunded Bonds) Senior Housing Project Amounts of issue: \$2,257,143 Maturing through 2013	4.45% - 5.10%	\$162,698 - \$245,000	2,107,937	-	156,746	1,951,191	175,397
2004 Refunding Bonds Golf Course Purchase Amounts of issue: \$410,000 Maturing through 2009	2.00% - 2.50%	\$5,000 - \$205,000	-	410,000	-	410,000	10,000
2004 Refunding Bonds Senior Housing Project Amounts of issue: \$1,695,000 Maturing through 2018	2.00% - 4.00%	\$5,000 - \$350,000	-	1,695,000	-	1,695,000	30,000
Revenue bonds:							
1990 Revenue Bond (5) Amounts of issue: \$3,750,000 Maturing through 2005	4.00%	\$400,000	400,000	-	-	400,000	400,000
Water Bonds Series 1998 - 1990 (Refunded Bonds) Revenue and Phase 7 Amounts of issue: \$4,490,000 Maturing through 2018	4.10% - 5.00%	\$115,000 - \$205,000	2,630,000	-	480,000	2,150,000	115,000
2001 Water Supply & Sewage Disposal System Bonds Amounts of issue: \$4,200,000 Maturing through 2020	4.00% - 6.00%	\$100,000 - \$400,000	4,100,000	-	100,000	4,000,000	100,000
1994 Combined Sewer Overflow (6) State Revolving Fund Debt - Maturing through 2014	2.00%	\$17,897 - \$140,000	1,297,897	-	120,000	1,177,897	115,000
Deferred charge on refunding			(194,053)	25,392	333,262	164,601	(49,262)
Total business-type activities			\$ 19,003,844	\$ 7,625,392	\$ 8,608,262	\$ 18,687,498	\$ 1,485,738

(1) Principal maturing from March 2007 through April 2016, to be called in April 2006

(2) Principal maturing from March 2006 through April 2016, to be called in April 2005

(3) Principal maturing from March 1999 through June 2008, refunded in October 1997, principal maturing July 2008 through December 2009, to be called in June 2004

(4) Principal maturing from March 2003 through May 2014, refunded in October 1997, principal maturing June 2004 through November 2018, to be called in May 2004

(5) Principal maturing from April 1999 through April 2005, refunded in October 1998

(6) This represents preliminary draws on the Michigan Municipal Bond Authority. The total financing is expected to be \$2,740,000. Principal payments began in 1997, with interest charged at 2 percent.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 803,089	\$ 382,939	\$ 1,186,028	\$ 1,485,738	\$ 709,596	\$ 2,195,334
2006	789,645	350,441	1,140,086	1,150,738	662,584	1,813,322
2007	827,573	316,779	1,144,352	1,160,738	613,266	1,774,004
2008	806,636	277,054	1,083,690	1,240,738	570,984	1,811,722
2009	849,135	238,589	1,087,724	1,295,738	522,318	1,818,056
2010-2014	2,720,000	659,565	3,379,565	6,287,826	1,891,616	8,179,442
2015-2019	1,550,000	176,375	1,726,375	4,999,458	647,735	5,647,193
2020	-	-	-	400,000	16,000	416,000
Total	<u>\$ 8,346,078</u>	<u>\$ 2,401,742</u>	<u>\$ 10,747,820</u>	<u>\$ 18,020,974</u>	<u>\$ 5,634,099</u>	<u>\$ 23,655,073</u>

Interest - Total interest incurred by the Township for the year was approximately \$1,342,000, of which \$197,653 was capitalized in the Water and Sewer Fund.

Advance and Current Refundings - During the year, the Township issued \$7.6 million in general obligation bonds with interest rates ranging between 2.0 percent and 4.0 percent. The proceeds of these bonds were used to advance refund \$6.95 million of outstanding 1994 & 1995 Limited Tax Bonds, 1989 Golf Course and 1992 Senior Housing Project Bonds with an interest rate ranging between 5.0 percent and 6.0 percent. The net proceeds of approximately \$7 million (after payment of approximately \$255,000 in underwriting fees, insurance, and other issuance costs) plus an additional \$333,000 of monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, portions of the bonds are considered to be defeased and the related liability for the bonds has been removed from the basic financial statements. The advance refunding reduced total debt service payments over the next 15 years by approximately \$547,000, which represents an economic gain of approximately \$449,000.

In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At March 31, 2004, \$9,340,000 of bonds outstanding are considered defeased.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 7 - Restricted Assets

Restricted assets of the Water and Sewer Fund at March 31, 2004 consist of the following:

Cash	\$ 594,753
Investments	931,903
Assets held at Wayne County for sewer line construction	<u>32,764</u>
Total assets restricted	1,559,420
Less current liabilities payable from restricted assets	<u>48,803</u>
Net assets restricted	<u><u>\$ 1,510,617</u></u>

The assets are restricted for the following purposes:

1990 revenue bonds debt	\$ 31,730
1998 revenue bonds debt	264,192
2001 revenue bonds debt	454,198
Unspent 2001 revenue bond proceeds	348,582
Sewage Transmission Line construction	32,764
Combined Sewer Overflow - Bond debt	<u>379,151</u>
Total	<u><u>\$ 1,510,617</u></u>

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for workers' compensation claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions; the Township is self-insured for medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 8 - Risk Management (Continued)

The Township estimates the liability for general liability and medical benefit claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Self-insurance Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability	Medical Benefits
Unpaid claims - April 1, 2002	\$ 649,081	\$ 770,619
Incurred claims (including claims incurred but not reported)	789,107	3,059,116
Claim payments	<u>(768,624)</u>	<u>(3,060,762)</u>
Unpaid claims - March 31, 2003	669,564	768,973
Incurred claims (including claims incurred but not reported)	815,882	3,257,307
Claim payments	<u>(825,696)</u>	<u>(3,257,307)</u>
Unpaid claims - March 31, 2004	<u>\$ 659,750</u>	<u>\$ 768,973</u>

Note 9 - Fund Balance and Net Asset Reservations and Restrictions

The General Fund has reserved fund balance in the following amounts:

Reserved for restricted contributions	\$ 7,249
Reserved for police resource program	24,233
Reserved for ACT 302 training	25,191
Reserved for street lighting	221,095
Reserved for probation work release program	133,496
Other reserves	<u>8,061</u>
Total	<u>\$ 419,325</u>

The General Fund has designated fund balance for working capital needs of \$9,144,283. The working capital designation represents amounts needed to finance Township operations from April 1 until property taxes are collected again in December. Approximately two-thirds or \$8.8 million of the annual property tax levy and a percentage of the annual budgeted expenditures are needed for this purpose.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 9 - Fund Balance and Net Asset Reservations and Restrictions (Continued)

Net assets restricted for other purposes are composed of the following:

Street lighting	\$ 221,095
Probation work release program	133,496
Other General Fund restrictions	64,734
Dial-A-Ride	119,217
911 dispatch	153,339
Police station	219,701
Court building improvement	391,192
Total	<u>\$ 1,302,774</u>

Note 10 - Single-employer Defined Benefit Pension Plan

Police and Fire Retirement System

Plan Description - The Police and Fire Pension Plan is a combination of a single-employer defined benefit pension plan and a single-employer defined contribution plan. The defined contribution portion of the plan was set up for the annual employees' contribution. The assets of the defined contribution plan are used to fund the defined benefit pension plan. Therefore, the two plans work together as a defined benefit pension plan. The plan is administered by the Redford Township Police and Fire Employees Retirement System; this plan covers substantially all police and fire employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At March 31, 2003, the date of the most recent actuarial valuation, membership consisted of 121 retirees and beneficiaries currently receiving benefits. The plan does not issue a separate financial report.

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units. The Township has assumed the responsibility to contribute 5 percent of employees' covered wages on behalf of the police and fire employees.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 10 - Single-employer Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended March 31, 2004, the Township's annual pension cost was \$3,061,809. The actuarial valuation required a contribution of \$3,054,072; the interest on the cumulative prior year overpayments (net pension asset) was \$5,557 and the effect of the net pension asset on normal cost was \$13,294. The Township's actual contribution was \$3,054,072. The annual required contribution was determined as part of an actuarial valuation at March 31, 2003, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return and (b) projected salary increases of 4.5 percent per year, attributable to inflation. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year trend information is as follows:

	Fiscal Year Ended March 31		
	2004	2003	2002
Annual pension costs (APC)	\$ 3,061,809	\$ 2,759,080	\$ 2,154,679
Percentage of APC contributed	99.75%	99.74%	99.69%
Net pension obligation (asset)	\$ (71,644)	\$ (79,381)	\$ (86,612)

Michigan Municipal Employees' Retirement System

Plan Description - The Township also participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers a substantial number of employees of the Township other than police and fire employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 3 percent to 5 percent, which is paid by the Township.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 10 - Single-employer Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended March 31, 2004, the Township's annual pension cost of \$1,037,873 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at March 31, 2003, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year attributable to inflation, and (c) additional projected salary increases ranging from 0 percent to 4.16 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is between 30 and 37 years.

Three-year trend information is as follows:

	Fiscal Year Ended March 31		
	2004	2003	2002
Annual pension costs (APC)	\$ 1,037,873	\$ 994,568	\$ 1,226,441
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

	Valuation Year Ended December 31		
	2002	2001	2000
Actuarial value of assets	\$ 25,510,996	\$ 24,968,276	\$ 23,232,730
Actuarial accrued liability (AAL)	\$ 30,659,246	\$ 28,472,194	\$ 28,258,767
Unfunded AAL (UAAL)	\$ 5,148,250	\$ 3,503,918	\$ 5,026,037
Funded ratio	83%	88%	82%
Covered payroll	\$ 6,153,857	\$ 6,190,334	\$ 6,479,931
UAAL as a percentage of covered payroll	84%	57%	78%

Note 11 - Commitments

The Township has entered into a contract with a corporation that will manage the operations of the Glenhurst Golf Course. Under the terms of this contract, the Township has agreed to pay the corporation from its Golf Course (Enterprise) Fund a minimum fee of \$598,000 between April 1, 2003 and March 31, 2004 for services rendered during calendar year 2003. The Township has agreed to pay additional fees if certain golf course revenue is attained.

Note 12 - Other Postemployment Benefits

The Township provides health care benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, approximately 224 retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its health care plan, with no contribution required by the participant. The Township provides Medicare supplemental coverage for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the claims become due; during the year, this amounted to approximately \$2,117,000.

Note 13 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Township of Redford has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Township has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (road usage rights, etc.)
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets (road usage rights, etc.) not previously accounted for by the Township as well as assets totaling approximately \$21,607,000 that would previously have been reported in the General Fixed Assets Account Group.
- The governmental activities column includes compensated absences, bonds, and other long-term obligations totaling approximately \$12,979,000 previously reported in the General Long-term Debt Account Group.

Charter Township of Redford

Notes to Financial Statements March 31, 2004

Note 14 - Prior Period Adjustment

General Fund balance at April 1, 2003 has been adjusted in accordance with GASB Interpretation No. 6 to exclude expenses related to employee retirement benefits paid out within 60 days of the year ended March 31, 2003. Had the adjustment been made, fund balance for March 31, 2003 would have increased by \$95,687.

Required Supplemental Information

Charter Township of Redford

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 9,119,000	\$ 9,632,639	\$ 9,632,639	\$ -
Resources (Inflows)				
Property taxes	16,741,000	16,798,000	16,625,632	(172,368)
Permits and licenses	481,720	520,000	531,611	11,611
State sources	6,603,000	6,188,000	6,116,332	(71,668)
Federal-shared and grant revenue	158,253	158,253	149,603	(8,650)
Charges for services	894,025	860,000	1,026,315	166,315
Fines and forfeitures	3,127,000	3,207,000	3,217,771	10,771
Interest income	155,000	155,000	164,188	9,188
Other	949,309	1,248,109	955,245	(292,864)
Amounts available for appropriation	29,109,307	29,134,362	28,786,697	(347,665)
Charges to Appropriations (Outflows)				
General government:				
Legislative	89,241	89,241	90,218	(977)
District court	1,281,313	1,298,513	1,487,096	(188,583)
Criminal justice	800,000	800,000	700,399	99,601
Probation	308,923	308,923	350,954	(42,031)
Work program	119,087	119,087	64,620	54,467
Byrne probation grant	62,402	65,402	58,607	6,795
Executive	200,490	200,490	200,786	(296)
Elections	35,720	34,500	26,198	8,302
Accounting	430,567	365,567	347,733	17,834
Assessor	245,490	303,934	342,841	(38,907)
Attorney	162,000	147,000	133,915	13,085
Clerk	356,122	357,342	353,110	4,232
Civil service	170,234	172,234	163,728	8,506
Police and fire civil service	6,650	6,650	7,117	(467)
Board of Review	6,118	6,118	4,805	1,313
Treasurer	427,138	427,138	423,396	3,742
Information systems department	414,631	414,631	411,328	3,303
Public service building maintenance	177,213	207,413	208,937	(1,524)
Buildings and grounds	457,735	472,735	476,832	(4,097)
General government	1,318,080	1,329,640	1,462,768	(133,128)
Public safety:				
Police	9,171,620	9,392,349	9,273,463	118,886
School resource officer	103,296	110,296	102,111	8,185
School crossing guard	49,366	49,366	40,082	9,284
Central dispatch	259,948	109,948	138,665	(28,717)
Fire	6,071,863	6,092,263	6,073,612	18,651
Transportation	37,500	37,500	36,219	1,281
Protective inspection	108,791	143,791	77,600	66,191

The Township's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Charter Township of Redford

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Charges to Appropriations (Outflows) (Continued)				
Public works:				
Department of Public Works	\$ 453,204	\$ 363,204	\$ 355,116	\$ 8,088
Highways and streets	930,000	930,000	828,947	101,053
Sanitation	2,930,000	2,930,000	2,761,486	168,514
Animal control	159,539	169,539	154,732	14,807
Recreation and culture:				
Recreation and parks	436,510	436,510	412,605	23,905
Parks facilities	492,517	482,517	478,861	3,656
Senior citizens	81,805	86,805	80,074	6,731
Boards and commission:				
Planning	40,834	64,334	61,233	3,101
Board of Appeals	29,344	34,544	32,385	2,159
Site	1,080	5,080	4,636	444
Historical	18,600	18,600	17,778	822
Sister city commission	7,500	7,500	1,217	6,283
Rehabilitation review board	-	400	1,249	(849)
Beautification commission	11,548	11,548	3,583	7,965
Youth commission	1,000	1,000	97	903
Senior citizens commission	15,158	15,158	12,029	3,129
Community promotion	3,000	3,000	2,645	355
Redford redevelopment	-	5,000	3,780	1,220
Debt service	611,000	611,000	586,135	24,865
Total charges to appropriations	<u>29,094,177</u>	<u>29,237,810</u>	<u>28,855,728</u>	<u>382,082</u>
Fund Balance - End of year	<u>\$ 9,134,130</u>	<u>\$ 9,529,191</u>	<u>\$ 9,563,608</u>	<u>\$ 34,417</u>

The Township's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Charter Township of Redford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Community Development Block Grant Year Ended March 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Resources				
Prior years CDBG entitlement	\$ 468,577	\$ 468,577	\$ 432,844	\$ (35,733)
Year 2003-2004 CDBG entitlement	1,178,000	1,178,000	717,696	(460,304)
Program income	<u>250,000</u>	<u>385,700</u>	<u>528,431</u>	<u>142,731</u>
Amounts available for appropriation	1,896,577	2,032,277	1,678,971	(353,306)
Charges to Appropriations				
Approach paving	43,658	73,658	35,781	37,877
Audible pedestrian signals	20,000	20,000	-	20,000
Bus stops	66,142	4,142	(109)	4,251
Code enforcement	173,437	173,437	124,655	48,782
Delaware road	200,000	200,000	195,856	4,144
Delaware road water line and sanitary sewer	125,000	125,000	-	125,000
Dial-A-Ride	74,974	74,975	74,975	-
Five Mile corridor improvements	300,209	300,209	240,476	59,733
Housing rehabilitation	215,940	337,940	314,969	22,971
Neighborhood economic revitalization	1,867	2,867	2,349	518
Neighborhood watch	30,000	28,713	26,703	2,010
Park improvements	89,350	89,350	85,860	3,490
Recreation program for Americans with disabilities	11,000	11,000	11,000	-
Redford Counseling Center	12,000	12,000	12,000	-
Redford Interfaith	13,000	13,000	13,000	-
Redford senior center improvements	20,000	20,000	19,977	23
Section 8 housing commission	-	-	62	(62)
Senior citizen programming	20,000	23,000	23,000	-
Sidewalk improvements	84,445	122,103	121,032	1,071
Site clearance	7,655	7,655	6,243	1,412
Tree planting program	2,090	2,090	1,625	465
Wayne County Neighborhood Legal Services	8,000	8,000	8,000	-
Youth services	83,076	92,381	92,381	-
General administration and planning	282,000	282,000	269,136	12,864
Contingencies	<u>12,734</u>	<u>8,757</u>	<u>-</u>	<u>8,757</u>
Total charges to appropriations	1,896,577	2,032,277	1,678,971	353,306
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Township's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Charter Township of Redford

Required Supplemental Information Pension System Schedule of Funding Progress March 31, 2004

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
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Police and Fire Retirement System

03/31/98	\$ 56,000,000	\$ 53,200,000	\$ (2,800,000)	105.3	\$ 5,400,000	(51.9)
03/31/99	61,100,000	55,400,000	(5,700,000)	110.3	6,000,000	(95.0)
03/31/00	64,000,000	59,400,000	(4,600,000)	107.7	5,900,000	(78.0)
03/31/01	65,300,000	64,000,000	(1,300,000)	102.0	6,400,000	(20.3)
03/31/02	64,500,000	66,000,000	1,500,000	97.7	6,600,000	22.7
03/31/03	63,000,000	69,600,000	6,600,000	90.5	6,200,000	106.5

The schedule of employer contributions is as follows:

Police and Fire Retirement System

Fiscal Year Ended March 31	Annual Required Contribution*	Percentage Contributed	Net Pension Obligation (Asset)
1999	\$ 2,172,138	101.28	\$ (105,588)
2000	1,882,263	99.69	(99,686)
2001	1,785,632	99.65	(93,370)
2002	2,154,679	99.69	(86,612)
2003	2,759,080	99.74	(79,381)
2004	3,061,809	99.75	(71,644)

* The required contribution is expressed to the Township as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of March 31, 2003, the latest actuarial valuation, follows:

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	4.5%-7.0%
*Includes inflation at	4.5%
Cost of living adjustments	N/A

Charter Township of Redford

Note to Required Supplemental Information March 31, 2004

Note - Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's *Bulletin for Audits of Local Units of Government in Michigan* dated April 1982:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. Budgeted expenditures cannot exceed budgeted revenues and fund balance.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The Township adopts its budget on a fund-total basis for all funds, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets adopted by the Township Board is included as required supplemental information. This comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns, to the nonmajor fund budgets as adopted by the Township Board is available at the Clerk's office for inspection.

The Township follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Township supervisor on or before 75 days prior to the commencement of the fiscal and budgetary year (April 1) shall prepare and submit to the Board a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the Board shall direct, and notice of such public hearing shall be published at least 10 days in advance thereof by the clerk.
3. The Board shall, on or before 15 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

Charter Township of Redford

Note to Required Supplemental Information March 31, 2004

Note - Budgetary Information (Continued)

The annual budget is prepared by the Township management and adopted by the Township Board; subsequent amendments are approved by the Township Board. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers to/from other funds have been included in revenue and expenditures, rather than as an other financing source (use).

The budget statements are presented on the same basis of accounting used in preparing the adopted budget.

The Charter Township of Redford did not have significant expenditure budget variances.

Fund Deficits - The Township has accumulated deficits in the following individual funds:

The Brownfield Redevelopment Authority has an accumulated deficit of \$6,599 at March 31, 2004 on a modified accrual basis that will be eliminated with future property tax capture.

The Park Fund has an accumulated deficit of \$17,519 at March 31, 2004 on a modified accrual basis that will be eliminated with the reimbursement of funds due from other governmental units.

Other Supplemental Information

Charter Township of Redford

	Special Revenue Funds					Debt Service Fund
	Dial-A-Ride	Drug Law Enforcement	Solid Waste Management	911 Dispatch	Local Law Enforcement	Police Station
Assets						
Cash and investments	\$ 53,669	\$ 505,434	\$ 1,845,951	\$ 166,392	\$ 34,113	\$ 463,689
Receivables - Net	86,492	-	226,290	-	-	48,082
Due from other funds	-	-	-	-	9,204	-
Due from other governmental units	-	-	-	-	-	-
Total assets	<u>\$ 140,161</u>	<u>\$ 505,434</u>	<u>\$ 2,072,241</u>	<u>\$ 166,392</u>	<u>\$ 43,317</u>	<u>\$ 511,771</u>
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ 6,774	\$ 1,514	\$ 166,140	\$ -	\$ 23,732	\$ -
Accrued liabilities	6,170	-	27,250	13,053	-	-
Due to other funds	8,000	-	10,000	-	9,563	-
Due to other governmental units	-	-	-	-	234	-
Deferred revenue	10,050	-	226,291	-	9,788	48,082
Total liabilities	30,994	1,514	429,681	13,053	43,317	48,082
Fund Balances (Deficit)						
Reserved	-	-	-	82,116	-	463,689
Unreserved:						
Designated	-	-	-	-	-	-
Undesignated	109,167	503,920	1,642,560	71,223	-	-
Total fund balances (deficit)	<u>109,167</u>	<u>503,920</u>	<u>1,642,560</u>	<u>153,339</u>	<u>-</u>	<u>463,689</u>
Total liabilities and fund balances (deficit)	<u>\$ 140,161</u>	<u>\$ 505,434</u>	<u>\$ 2,072,241</u>	<u>\$ 166,392</u>	<u>\$ 43,317</u>	<u>\$ 511,771</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2004**

Capital Projects Funds								
Capital Improvement	Police Station	Drain	Public Improvement - Storm Water	Park	Sidewalk Improvement	Road Improvement	Court Building Improvement	Total Nonmajor Governmental Funds
\$ 873,331	\$ 219,701	\$ 730,247	\$ 512,130	\$ -	\$ 584,057	\$ 98,489	\$ 370,260	\$ 6,457,463
-	-	807	32,374	-	969,293	390,742	-	1,754,080
-	-	-	-	-	-	-	-	9,204
-	-	-	-	17,519	-	-	20,932	38,451
\$ 873,331	\$ 219,701	\$ 731,054	\$ 544,504	\$ 17,519	\$ 1,553,350	\$ 489,231	\$ 391,192	\$ 8,259,198
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,442	\$ -	\$ 201,602
-	-	-	-	-	-	-	-	46,473
-	-	-	-	17,519	-	-	-	45,082
-	-	-	-	-	-	-	-	234
-	-	-	-	17,519	858,954	390,742	-	1,561,426
-	-	-	-	35,038	858,954	394,184	-	1,854,817
-	-	-	-	-	-	-	-	545,805
873,331	219,701	731,054	544,504	(17,519)	694,396	95,047	391,192	3,531,706
-	-	-	-	-	-	-	-	2,326,870
873,331	219,701	731,054	544,504	(17,519)	694,396	95,047	391,192	6,404,381
\$ 873,331	\$ 219,701	\$ 731,054	\$ 544,504	\$ 17,519	\$ 1,553,350	\$ 489,231	\$ 391,192	\$ 8,259,198

Charter Township of Redford

	Special Revenue Funds					Debt Service Fund
	Dial-A-Ride	Drug Law Enforcement	Solid Waste Management	911 Dispatch	Local Law Enforcement	Police Station
Revenue						
Property taxes	\$ 132,858	\$ -	\$ 2,954,375	\$ -	\$ -	\$ 624,129
State sources	123,943	-	-	5,538	-	-
Federal sources	-	-	-	-	36,095	-
Charges for services	20,564	-	-	164,840	-	-
Fines and forfeitures	-	377,899	-	-	-	-
Interest income	116	3,708	-	3,556	-	4,340
Other	69,858	23,500	123,152	3,955	-	-
Total revenue	347,339	405,107	3,077,527	177,889	36,095	628,469
Expenditures						
Current:						
Public safety	-	188,471	-	401,912	40,106	-
Public works	-	-	2,896,440	-	-	-
Health and welfare	340,708	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	554,720
Total expenditures	340,708	188,471	2,896,440	401,912	40,106	554,720
Excess of Revenue Over (Under) Expenditures	6,631	216,636	181,087	(224,023)	(4,011)	73,749
Other Financing Sources - Transfers in	-	-	-	-	4,011	-
Net Change in Fund Balances	6,631	216,636	181,087	(224,023)	-	73,749
Fund Balances (Deficit) - Beginning of year	102,536	287,284	1,461,473	377,362	-	389,940
Fund Balances (Deficit) - End of year	<u>\$ 109,167</u>	<u>\$ 503,920</u>	<u>\$ 1,642,560</u>	<u>\$ 153,339</u>	<u>\$ -</u>	<u>\$ 463,689</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended March 31, 2004

Capital Projects Funds								
Capital Improvement	Police Station	Drain	Public Improvement - Storm Water	Park	Sidewalk Improvement	Road Improvement	Court Building Improvement	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,711,362
-	-	-	-	15,428	-	-	-	144,909
-	-	-	-	-	-	-	-	36,095
-	-	-	-	-	836,669	-	-	1,022,073
-	-	-	-	-	-	-	164,954	542,853
8,869	2,595	8,450	7,392	-	40,886	9,111	-	89,023
-	-	-	32,374	-	-	9,567	-	262,406
8,869	2,595	8,450	39,766	15,428	877,555	18,678	164,954	5,808,721
-	-	-	-	-	-	-	-	630,489
-	-	-	143,927	-	-	-	-	3,040,367
-	-	-	-	-	-	-	-	340,708
-	-	-	-	27,545	863,117	403,727	-	1,294,389
-	-	-	-	-	-	-	-	554,720
-	-	-	143,927	27,545	863,117	403,727	-	5,860,673
8,869	2,595	8,450	(104,161)	(12,117)	14,438	(385,049)	164,954	(51,952)
170,000	-	-	-	17,248	-	-	226,238	417,497
178,869	2,595	8,450	(104,161)	5,131	14,438	(385,049)	391,192	365,545
694,462	217,106	722,604	648,665	(22,650)	679,958	480,096	-	6,038,836
<u>\$ 873,331</u>	<u>\$ 219,701</u>	<u>\$ 731,054</u>	<u>\$ 544,504</u>	<u>\$ (17,519)</u>	<u>\$ 694,396</u>	<u>\$ 95,047</u>	<u>\$ 391,192</u>	<u>\$ 6,404,381</u>

Charter Township of Redford

Other Supplemental Information Combining Statement of Net Assets Nonmajor Enterprise Funds March 31, 2004

	Indoor Ice Rink	Golf Course	Protective Inspection	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Cash and investments	\$ 122,125	\$ 478,393	\$ 191,927	\$ 792,445
Receivables - Net	-	-	40,205	40,205
Inventories and other assets	3,483	12,884	-	16,367
Total current assets	125,608	491,277	232,132	849,017
Noncurrent assets:				
Unamortized bond issuance costs	-	78,332	-	78,332
Capital assets	423,899	3,267,999	-	3,691,898
Unamortized goodwill	-	215,520	-	215,520
Total noncurrent assets	423,899	3,561,851	-	3,985,750
Total assets	549,507	4,053,128	232,132	4,834,767
Liabilities				
Current liabilities:				
Accounts payable	13,031	32,241	1,917	47,189
Accrued liabilities	12,659	13,304	19,114	45,077
Due to other funds	9,000	44,216	8,500	61,716
Other liabilities and advances	-	2,962	-	2,962
Current portion of compensated absences	30,893	-	18,640	49,533
Current portion of long-term debt	-	140,164	-	140,164
Total current liabilities	65,583	232,887	48,171	346,641
Noncurrent liabilities:				
Provision for compensated absences	53,856	-	148,248	202,104
Long-term debt - Net of current portion	-	860,516	-	860,516
Total noncurrent liabilities	53,856	860,516	148,248	1,062,620
Total liabilities	119,439	1,093,403	196,419	1,409,261
Net Assets				
Investment in capital assets - Net of related debt	423,899	2,267,319	-	2,691,218
Unrestricted	6,169	692,406	35,713	734,288
Total net assets	<u>\$ 430,068</u>	<u>\$ 2,959,725</u>	<u>\$ 35,713</u>	<u>\$ 3,425,506</u>

Charter Township of Redford

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Nonmajor Enterprise Funds Year Ended March 31, 2004

	Indoor Ice Rink	Golf Course	Protective Inspection	Total Nonmajor Enterprise Funds
Operating Revenue				
Charges for services	\$ 469,159	\$ 1,306,235	\$ -	\$ 1,775,394
Permits	-	-	902,436	902,436
Refunds and rebates	4,530	-	3,471	8,001
Other	-	6,493	-	6,493
Total operating revenue	473,689	1,312,728	905,907	2,692,324
Operating Expenses				
General and administrative costs	566,233	992,330	870,608	2,429,171
Depreciation and amortization	49,526	250,823	-	300,349
Total operating expenses	615,759	1,243,153	870,608	2,729,520
Operating Income (Loss)	(142,070)	69,575	35,299	(37,196)
Nonoperating Revenue (Expenses)				
Interest income	1,233	7,249	414	8,896
Interest expense	-	(50,700)	-	(50,700)
Gain on disposal of assets	-	654	-	654
Change in Net Assets	(140,837)	26,778	35,713	(78,346)
Net Assets - Beginning of year	570,905	2,932,947	-	3,503,852
Net Assets - End of year	<u>\$ 430,068</u>	<u>\$ 2,959,725</u>	<u>\$ 35,713</u>	<u>\$ 3,425,506</u>

Charter Township of Redford

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended March 31, 2004

	Indoor Ice Rink	Golf Course	Protective Inspection	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 469,159	\$ 1,306,235	\$ 886,321	\$ 2,661,715
Payments to suppliers	(210,360)	(1,014,528)	(68,323)	(1,293,211)
Payments to employees	(369,363)	-	(775,811)	(1,145,174)
Internal activity - Payments to other funds	-	(4,552)	8,500	3,948
Other receipts	4,530	6,493	3,471	14,494
Net cash provided by (used in) operating activities	(106,034)	293,648	54,158	241,772
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of assets	-	654	-	654
Purchase of capital assets	-	(460,550)	-	(460,550)
Proceeds from bond issuance	-	410,000	-	410,000
Refunding of bond issuance	-	(375,000)	-	(375,000)
Principal and interest paid on capital debt	-	(203,911)	-	(203,911)
Net cash used in capital and related financing activities	-	(628,807)	-	(628,807)
Cash Flows from Investing Activities				
Interest received on investments	1,233	7,249	414	8,896
Proceeds from sale and maturities of investments	-	34,099	-	34,099
Net cash provided by investing activities	1,233	41,348	414	42,995
Net Increase (Decrease) in Cash and Cash Equivalents	(104,801)	(293,811)	54,572	(344,040)
Cash and Cash Equivalents - Beginning of year	226,926	768,943	137,355	1,133,224
Cash and Cash Equivalents - End of year	<u>\$ 122,125</u>	<u>\$ 475,132</u>	<u>\$ 191,927</u>	<u>\$ 789,184</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 122,125	\$ 478,393	\$ 191,927	\$ 792,445
Less amounts classified as investments	-	(3,261)	-	(3,261)
Total cash and cash equivalents	<u>\$ 122,125</u>	<u>\$ 475,132</u>	<u>\$ 191,927</u>	<u>\$ 789,184</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (142,070)	\$ 69,575	\$ 35,299	\$ (37,196)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	49,526	250,823	-	300,349
Changes in assets and liabilities:				
Receivables	-	-	(16,115)	(16,115)
Due from other funds	-	40,000	-	40,000
Inventory and other assets	(298)	(1,826)	-	(2,124)
Accounts payable	(11,672)	16,719	(1,738)	3,309
Accrued and other liabilities	(1,520)	(37,091)	28,212	(10,399)
Due to other funds	-	(44,552)	8,500	(36,052)
Net cash provided by (used in) operating activities	<u>\$ (106,034)</u>	<u>\$ 293,648</u>	<u>\$ 54,158</u>	<u>\$ 241,772</u>

Charter Township of Redford

Federal Awards Supplemental Information March 31, 2004

Charter Township of Redford

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Redford

We have audited the basic financial statements of the Charter Township of Redford for the year ended March 31, 2004 and have issued our report thereon dated July 15, 2004. Those basic financial statements are the responsibility of the management of the Charter Township of Redford. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Charter Township of Redford taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

July 15, 2004

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Report Letter on Compliance with Laws and Regulations and
Internal Control - Basic Financial Statements

To the Board of Trustees
Charter Township of Redford

We have audited the financial statements of the Charter Township of Redford as of and for the year ended March 31, 2004 and have issued our report thereon dated July 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Charter Township of Redford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Redford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Trustees
Charter Township of Redford

This report is intended solely for the information and use of management, the Township Board, and the U.S. Department of Housing and Urban Development, as a cognizant agency, and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

July 15, 2004

Report Letter on Compliance with Laws and Regulations and
Internal Control - Major Federal Awards

To the Board of Trustees
Charter Township of Redford

Compliance

We have audited the compliance of the Charter Township of Redford with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2004. The major federal programs of the Charter Township of Redford are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Charter Township of Redford's management. Our responsibility is to express an opinion on the Charter Township of Redford's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Redford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Redford's compliance with those requirements.

In our opinion, the Charter Township of Redford complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2004.

To the Board of Trustees
Charter Township of Redford

Internal Control Over Compliance

The management of the Charter Township of Redford is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Redford's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Township Board, and the U.S. Department of Housing and Urban Development, as a cognizant agency, and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

July 15, 2004

Charter Township of Redford

Schedule of Expenditures of Federal Awards Year Ended March 31, 2004

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Community Development Block Grant:				
Program year 2001 - B-01-MC-26-0029	14.218	N/A	\$ 1,057,000	\$ 407
Program year 2002 - B-02-MC-26-0029	14.218	N/A	1,155,000	432,549
Program year 2003 - B-03-MC-26-0029	14.218	N/A	1,175,000	1,246,015
Low Income Housing Assistance Program (Section 8 Existing Housing):				
Voucher Program MI 141 V00030/050	14.855	N/A	2,320,021	71,601
Voucher Program MI 141 V00054/057	14.855	N/A	1,828,811	490,284
Total U.S. Department of Housing and Urban Development				2,240,856
U.S. Department of Justice - Passed through the State of Michigan:				
Local Law Enforcement Block Grant 2002	16.592	2002-LB-BX-3162	41,071	8,569
Local Law Enforcement Block Grant 2003	16.592	2003-LB-BX-2770	34,033	27,526
Byrne Formula Grant Program:				
Intensive supervision probation	16.579	2002-DB-BX-0026	39,529	16,759
Intensive supervision probation	16.579	9X-DB-VX-0026	29,666	10,782
Schools resource officer	16.579	2002-DB-BX-0026	45,153	21,321
Total U.S. Department of Justice				84,957
Office of National Drug Control Policy - Southeastern Michigan - Passed through the State of Michigan:				
HIDTA - 2002 administrative support initiative	07.000	I2PSMP518	513,572	46,212
HIDTA - 2003 administrative support initiative	07.000	I3PSMP502	2,956,198	2,149,004
HIDTA - 2004 administrative support initiative	07.000	I4PSMP501Z	2,787,880	16,805
Total Office of National Drug Control Policy				2,212,021
Department of Homeland Security - Passed through the State of Michigan:				
Federal Emergency Management Assistance	97.036	FEMA-3189-EM-163-67680	3,000	3,000
Assistance to Firefighters Grant Program	97.044	EMW-2002-FG-18948	97,913	97,741
Total Department of Homeland Security				100,741
Total federal awards				<u>\$ 4,638,575</u>

Charter Township of Redford

Notes to Schedule of Expenditures of Federal Awards Year Ended March 31, 2004

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Redford and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount	
		Provided to Subrecipients	
Community Development Block Grant	14.218	\$	44,000

Charter Township of Redford

Schedule of Findings and Questioned Costs Year Ended March 31, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant
14.855	Low Income Housing Assistance Program (Section 8 Existing Housing)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Charter Township of Redford

Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2004

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

July 15, 2004

Board of Trustees
Charter Township of Redford
15145 Beech Daly Road
Redford, MI 48239

Dear Board Members:

We have recently completed our audit of the financial statements of the Charter Township of Redford, Michigan for the year ended March 31, 2004. As a result of our audit, and in addition to our financial report, we offer the following comments and recommendations. Before getting into the specifics of our comments, we would like to take this opportunity to compliment your staff and management for the overall positive condition of the financial records and related documentation.

GASB 34

As we discussed last year, the Government Accounting Standards Board has issued a major pronouncement that drastically changed the way your financial statements look. For the Charter Township of Redford, this pronouncement went into effect on April 1, 2003. During the past year, the Township developed and executed a specific plan on how to derive some of the data that was required by the new pronouncement. This required a significant amount of time and effort which was put forth by the Township's Finance Department.

Although there are many differences with this new reporting model, the major additions are as follows:

- Management Discussion and Analysis: Management is now required to give an overview of the Township's overall financial position and results of operations.
- Government-wide Financial Statements: These additional statements adjust the normal fund-based statements into a combined, **township wide full-accrual** format. This allows a financial statement reader to see the Township from a longer term perspective (i.e. are today's taxpayers paying for today's services?). These statements show capital and infrastructure assets, as well as long term debt as part of the Township's financial picture.
- Budget Comparison: A financial statement reader will now be able to view not only the actual revenue and expenditures of the Township as compared to the current budget, but also as compared to the original budget for the General Fund and all other Major Fund Types.

GASB 34 (Continued)

The GASB believes this new model will provide a more complete picture of the financial position of the Township.

It is important to note that, although the implementation process has received the most attention, there are on-going aspects of GASB 34 that will continue for future year audits. With additional statements, reconciliation from fund-based to Government-wide reporting, capital asset tracking and more being added to this new model, there is more preparation needed for the audit, as well as more audit procedures to apply. This increases the workload of both the Township staff and the auditors. We would like to recognize and thank John Cubba and his entire department for their assistance with the implementation of GASB 34.

LEGISLATIVE ISSUES**REVENUE SHARING - CURRENT STATUS**

The slow down in the State's economy continues to directly affecting the Township's General Fund. State shared revenue accounts for approximately 24% of the Township's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems, revenue sharing payments for the State's fiscal years ending September 30, 2001, 2002, 2003, and 2004 are less than originally projected. A summary of the significant developments related to revenue sharing payments is as follows:

As you are aware, revenue sharing payments for the State's fiscal year ended September 30, 2003 were reduced by 3.5 percent through a December 2002 Executive Order. The budget for the State's fiscal year ended September 30, 2004 includes an additional 3 percent reduction in revenue sharing payments from the estimated payments for the State's 2003 fiscal year. These cuts are compounded by reductions that result when sales tax collections are less than what is included in the State's projections. In December 2003, the Governor issued an executive order reducing revenue sharing for the State's fiscal year ended September 30, 2004 an additional 5 percent.

In February 2004, the Governor introduced her budget for the State's fiscal year ended September 30, 2005. For cities, villages and townships, the Governor's budget proposal is to keep revenue sharing levels for the September 30, 2005 fiscal year end at the September 30, 2004 fiscal year end levels. However, the proposal eliminates statutory revenue sharing for counties. There is considerable discussion in Lansing about further reductions to state shared revenue from the Governor's budget proposal for fiscal year ended September 30, 2005.

It is generally acknowledged that the State's budget woes will continue for several more years. As a result, we continue to urge the Township to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

REVENUE SHARING - CURRENT STATUS (Continued)

With the major changes in revenue sharing occurring, we realize that the Township is regularly seeking information on projected future revenue sharing payments. To assist the Township in projecting state shared revenue payments, the Michigan Department of Treasury website is located at <http://www.treas.state.mi.us/apps/findrevshareinfo.asp> or information is available by calling the Office of Revenue and Tax Analysis at (517) 373-2697. We will continue to update the Township as developments occur.

PERSONAL PROPERTY TAX

For personal property tax bills issued in the year 2000 and after, the revised personal property tax tables implemented by the State Tax Commission were in effect. In addition to revisions made to the general personal property tax tables, the State Tax Commission also approved new personal property tax tables for utilities. The new tables made drastic changes to the transmission and distribution property of utilities. General estimates are that the use of the new utility tables results in approximately a 30% revenue loss on those properties. The Township, like many other communities, has elected to continue to assess the transmission and distribution property of utilities using the old personal property tax tables. This issue was the subject of a lawsuit brought by several units of government against the State Tax Commission challenging the constitutionality of the new utility personal property tax tables. The new utility personal property tax tables implemented by the State Tax Commission were upheld in the lawsuit. The local units of government have appealed this decision. The State is currently in the process of determining how refunds will be made on appeals filed by the utilities pending the decision in the Court of Appeal case. The Township has estimated the potential refunds due to the utilities and have recorded a liability in the General Fund should this outcome be unfavorable and payment become due.

PROPERTY ASSESSMENT CAP

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%

The increases in the taxable value of property for 1999, 2000 and 2003 were the lowest increases since the 1994 adoption of Proposal A. Property taxes are the Township's largest source of revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the Township is involved in long-term financial planning.

PROPERTY ASSESSMENT CAP (Continued)

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the Township. In general terms, if growth on the Township's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the Township to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the Township's existing property tax base was less than inflation, the Headlee Amendment allowed the Township to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back".

However, subsequent to the passage of Proposal A, the Township is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

MUNICIPAL FINANCE ACT - REMINDER

The Municipal Finance Act was amended during 2001. Beginning after March 2002, communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. The filing will serve as a pre-approval for debt issuances. The current filing is due within six months of the Township's year end (March 31, 2004) and is good through the extended due date of the financial statement filings (September 30, 2005).

FUNDING OF THE POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Governmental Accounting Standards Board recently issued an exposure draft addressing the accounting for retiree health care. As you know, the promise to provide health care to retirees is very similar to the promise to provide an annual pension check. As a result, GASB is proposing changes that would result in the Township having to have an actuarial valuation to define the liability and the liability would need to be disclosed in the financial statements. In addition, the Township's funding status, or the progress it has made in accumulating assets to pay for this liability would also be disclosed. Lastly, the Township would be required to make an annual contribution equal to the amount that the actuary deems necessary to fund the liability over a 30 year period. While this change is still in the draft phase, it is expected that it will be adopted in which case you will need to keep this in mind for long-range planning. These changes are expected to be effective 2008.

ACCOUNTING AND AUDITING ITEMS

WATER LOSS

An analysis of the Water and Sewer Fund resulted in a water loss calculation of 28% up from 23% in the prior year. Water loss is the percent difference in the units of water sold to the Township by the City of Detroit and the amount of units billed to residents by the Township for usage.

Water loss can be caused by several factors, including municipal and hydrant use, water mains breaking, or inaccurate meters. The Township has contracted a water loss study which has resulted in the finding of several underground water main breaks. We encourage the Township to continue taking action to reduce future losses. Some additional specific actions the Township could take to identify the source of additional water loss may include:

- Performing testing on accuracy of master meters
- Comparing water loss by billing district or month to identify the greatest area of loss
- Performing testing on a sample of customer meters to determine reading accuracy

These items may assist in isolating other possible causes of the increase in water loss. The Township should continue its analysis of the water and sewer system on a monthly basis and address any unusual items as they occur.

INTERNAL CONTROL CONSIDERATIONS

Due to the size of the Township, we realize that achieving the optimal level of segregation of duties is difficult. We would like to take this opportunity to remind you of the importance of maintaining offsetting controls in your system. We offer the following items for your consideration regarding the internal control structure:

- Payroll registers and checks cut are not independently reviewed after preparation. The preparer also has access to create an employee in the payroll system. Consider monthly reviews of payroll registers by the Treasurer or Deputy Treasurer.
- We noted that all monthly bank reconciliations were being completed, however, there is currently no formal bank reconciliation review process documented by way of dated sign offs of the preparer and reviewer. The Township should consider documenting the preparer, reviewer and date of all reconciliations and reviews.

Board of Trustees
Charter Township of Redford

July 15, 2004

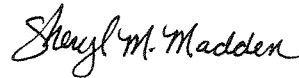
We would like to, again, express our appreciation for the assistance and cooperation we have received from all the Township officials and their staff during the course of our examination. If any questions arise on reviewing the financial statements or the above comments, we would be happy to discuss them with you or assist in the implementation of any of the recommendations.

Very truly yours,

PLANTE & MORAN, PLLC



David H. Helisek



Sheryl M. Madden